



Department of Justice

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INDIANAPOLIS MAN SENTENCED TO 37 MONTHS IMPRISONMENT IN MORTGAGE FRAUD SCHEME

PRESS RELEASE

Indianapolis-Timothy A. Brown, 45, Indianapolis, Indiana, was sentenced yesterday to 37 months in federal prison by Chief Judge David F. Hamilton for his participation in a large mortgage fraud scheme in the Indianapolis area. This followed Brown's guilty pleas to one count of wire fraud and one count of money laundering after a lengthy investigation conducted by Special Agents of the Internal Revenue Service - Criminal Investigation Division. Eight other individuals have been charged in the schemes. Jerry Jaquess was previously sentenced to 30 months imprisonment and the remaining cases are currently pending before Chief Judge Hamilton. The investigation is continuing as to other individuals who were involved in the mortgage fraud schemes.

The mortgage fraud schemes charging Timothy Brown and the others were all accomplished in the same general fashion. Participants in the schemes located properties and arranged to purchase them at a fair market value generally by means of an option agreement or unrecorded land contract. Investors were located who were willing to invest their good credit, but no money, to be the purchasers of these properties at a much higher price than that negotiated with the seller. Most of these investors were unwitting participants in the scheme; the majority were located in Virginia and were friends and relatives of one of the participants in the scheme. The investors generally never saw the properties they were purchasing. They were told that they were joining an investment club, that they would not have to make any payments on the properties, and that the properties would be managed for them by scheme participants (including renting the properties and paying all bills). These investors received money for participating in the investment club, generally \$4,000.00 for each property purchased in their name. Mortgage brokers participating in the schemes prepared fraudulent loan applications, containing false statements, including: that the investors owned bank accounts, stock and other assets which they did not own; that the investors had income which they did not actually have; and that the investors were making the down payments on the properties from their own funds. In reality, Brown and other participants in the schemes actually provided the down payments for the properties, and were paid a fee of \$1,000.00 - \$3,000.00 for doing so. Appraisers were employed

by scheme participants to prepare appraisals which vastly overstated the values of the properties, in order to support the sales price which was ultimately shown on the closing documents. The false loan applications, appraisals, and other fraudulent documents were then submitted to the lenders. The lenders, relying upon the false statements in the loan packages, issued the loans. The loans were funded via wire transfers of money from the lenders to a title company, which the scheme participants used to assist them in preparing false closing documents and issuing title company checks. At the time the loans closed, the properties sold for the fraudulently inflated sales price, and the fraudulently obtained loan proceeds were shared by scheme participants. The sellers were paid the amount they had negotiated to receive, and the scheme participants shared the excess proceeds. The scheme participant who had located the properties generally received \$1,000.00 per property located. The loan processors were generally paid \$500.00 for assisting in obtaining the loan. The scheme participant funding the down payment was paid \$1,000.00 - \$3,000.00 for each down payment they loaned. The scheme participant who recruited the investors and assisted them in signing the loans papers was paid \$1,000.00 per loan. The remaining amounts were split between scheme participants and also used to pay existing mortgages on earlier purchased properties to keep the scheme from being detected by the lenders.

Timothy Brown was involved in funding down payments for investors on fraudulent real estate transactions. He incorporated Brown Funding Inc., opened a bank account in that name and, along with his father, used that bank account to fund down payments. He obtained some of the down payment checks himself and provided them to others to take to the closings. After the closing, he received return of the down payments, plus the \$1,000.00 - \$3,000.00 fee, from the fraudulent loan proceeds. Brown borrowed some of the money for down payments from individuals who he knew, but did not tell those individuals that their money was being used to fund fraudulent real estate transactions. In addition, Brown was himself the seller on some of the real estate transactions. He agreed to allow other scheme participants to share in the fraudulent loan proceeds, and he even funded the buyers' down payments on some of these properties he was selling. Brown, as part of his plea agreement, accepted responsibility for approximately 29 fraudulent loans. The total amount of those loans was \$4,464,900.00. The total fraud loss was calculated at \$1,571,893.00.

According to Assistant United States Attorney Susan Heckard Dowd, who prosecuted the case for the government, Chief Judge Hamilton ordered Brown to serve three years on supervised release following his 37 months of incarceration and also ordered him to pay \$1,725,397.73 in restitution to Argent Mortgage Company.

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